

SVMG DER Subcommittee Comments on
STATE OF CALIFORNIA
ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION

Docket No. 99-DIST-GEN- (2)

Energy Commission distributed Generation Strategic Plan

Due: March 21, 2002

Via EMAIL

Dear Scott Tomashefsky,

The Distributed Energy Resources subcommittee of the Silicon Valley Manufacturing Group is pleased to have the opportunity to provide input and comment on the efforts of the CEC regarding distributed generation. We applaud the work and interest of the Commission in this important undertaking. Please accept these comments in the cooperative spirit in which they are intended.

1. We agree with the purpose and scope of the Plan, communicate, identify issues and opportunities, recommend policies and strategies, and provide guidance to other state agencies. The DER Subcommittee has very consistent objectives.
2. We also agree with the vision, mission and principles stated in section II. However, we would caution the Commission that its role is not to “deploy distributed generation in a way that preserves and enhances the environment in which people live.” Rather the Commission should enable deployment of DG while preserving the health and safety of Californians.
3. Policies promoting distributed generation should be neutral as to ownership. The State should not promote DG under the construct of utility ownership (or private ownership, for that matter).
4. The definition used for this strategy should incorporate the concept of DG being "near the intended place of use." This concept appears in the preamble to the definition, but for some reason is omitted from the definition itself. This is the key feature that distinguishes distributed generation from central generation, and it is the key feature that drives most of the policy issues. DG is also distinguished from back-up generators used only during electric grid outages and as required for life or building safety. DG should also not be limited to “small scale” which implies a capacity-constraining policy.

5. There may be some inconsistency in the “Status of DG in California” section regarding the type and amount of DG currently operating in California. More than 1,000 generating facilities representing more than 3,200 MW equates to an average size of more than 1 MW. These are likely predominately diesel generators used for emergency backup such as building and life safety. We think the State should distinguish DG from this form of on-site generation.

6. In section IV “Deployment Issues and Opportunities” it will be important, as the outline indicates, to understand the barriers hindering the deployment of DG. From the customer’s perspective these also include standby and interconnection fees, regulatory uncertainty, and other potential costs, such as grid management and exit fees. Besides the barriers, understanding the drivers and risks associated with DG are also important. In this section, or elsewhere, we believe that the drivers related to customer needs and the risks related to the health and safety issues must be included in the strategy.

7. Renewables can be distributed generation if they are near the intended place of use. However, a policy that promotes renewables is not necessarily a policy that promotes distributed generation. We encourage the Commission to not presuppose the DG technologies that will emerge nor impose additional policy constraints on a fledgling market.

8. Two additional roles of government with regard to DG issues and opportunities might include elimination of conflicting regulations and overlapping jurisdictions, and to make regulatory compliance easy and cheap for new entrants to the power business. We suggest that State agencies continually underestimate the impact of regulatory uncertainty and over-regulation on emerging markets.

9. The role of providing guidance to other State agencies is very important. The SVMG would like to work with the Commission in providing input and credibility in this effort.

10. The long-term goal of the strategy presupposes little or no economic impact on making “California’s energy generation and delivery system the cleanest, most efficient, reliable, and affordable in the nation by maximizing appropriate use of DG.” We would suggest that the long-term goal of the Commission might be promoting the role of DG as it relates to the long-term economic viability for all Californians without sacrificing health and safety. Also, for mid-term goals and strategies, we see the State as having an indirect role in reducing DG costs and emissions through funding research and a stable regulatory process. All of the near-term goals and strategies are excellent, however, we caution the Commission about the negative consequences of providing incentives to promote “environmentally

preferred” technologies.

11. The State can play a significant role in better understanding the needs of customers with regard to DG through the use of surveys, workshops, and out-reach meetings with users and potential users of DG. Though the Commission already exerts considerable effort to do this, we think it should be emphasized in the strategy.